July 25, 2003 Financing

On July 25, 2003, RNC completed a CAN$10 million private placement of units of RNC through a syndicate of investment dealers. Each unit was priced at CAN$2.00, and consisted of one common share and one-half of one common share purchase warrant of RNC. One full warrant is exercisable for one common share of RNC at CAN$2.25 until December 4, 2004 and CAN$2.50 therafter until expiry on December 4, 2005.

The proceeds of this financing were used by RNC to repay a bridge loan to its senior lender, to acquire additional interests in Desminic and Hemco, and for general working capital purposes.

Purchase of Remaining Interest in Desminic

Pursuant to a share purchase agreement dated September 17, 2003, Resources purchased the remaining 10% of the outstanding shares of Desminic. The purchase price was satisfied by issuing 700,000 units. Each unit was priced at CAN$2.00, and consisted of one common share and one-half of one common share purchase warrant of RNC. One full warrant is exercisable for one common share of RNC at CAN$2.25 until December 4, 2004 and CAN$2.50 thereafter until expiry on December 4, 2005.

September 26, 2003 Financing

On September 26, 2003, RNC completed a CAN$6,420,000 private placement of 3,210,000 units. Each unit was priced at CAN$2.00, and consisted of one common share and one-half of one common share purchase warrant of RNC. One full warrant is exercisable for one common share of RNC at CAN$2.25 until December 4, 2004 and CAN$2.50 thereafter until expiry on December 4, 2005. The proceeds of the financing were used to terminate the forbearance agreement with the Company's senior lender (see "Liquidity and Capital Resources") and for general working capital purposes.

Reduction in Stated Capital

Effective December 2, 2003, the shareholders of RNC approved a reduction in the stated capital of the Company in the amount of $5,750,903.

The transactions described above resulted in the following share structure for RNC at December 31, 2003:

Common shares $	Number of common shares	Transactions	Date	Warrants $	Number of warrants
10,000	10,000	Common shares outstanding	December 31, 2002	–	–
1,565,521	1,208,897	Tango agreement	May 12, 2003	175,290	604,449
–	–	Desminic financing	June 2, 2003	90,619	310,000
6,334,946	5,367,500	Financing and asset purchases	July 25, 2003	783,656	2,683,750
–	–	Broker warrants	July 25, 2003	116,000	400,000
–	6,610,000	Acquisition of RNC net	–	–	3,310,000
–	–	Forbearance agreement	–	97,070	117,424
3,030,498	3,210,000	Private placement	September 26, 2003	1,328,040	1,605,000
718,200	700,000	Desminic purchase	–	289,800	350,000
(5,750,903)	–	Reduction in stated capital	December 2, 2003	–	–
5,908,262	17,106,397			2,880,475	9,380,623

All of the warrants issued by RNC in 2003 have a two year term. The exercise price is CAN$2.25 until December 4, 2004 and CAN$2.50 thereafter until expiry on December 4, 2005.

FINANCIAL SUMMARY

The consolidated statements of operations reflect 50% of the revenues and expenses of Desminic and Hemco for the year ended December 31, 2002 and for the period from January 1, 2003 to July 25, 2003, and 100% of the revenues and expenses of Desminic and Hemco for the period from July 25, 2003 to December 31, 2003. The 20% non-controlling interest in the earnings of Hemco is presented on a net basis in the statement of operations.

During 2003, the Company incurred a loss of $13,633,652 ($1.32/share), compared to a loss of $3,160,742 ($0.48/share) in 2002.

The table below summarizes the consolidated results of operations:

	2003 $	2002 $
Gold sales	14,815,367	7,342,566
Operating expenses	(14,721,121)	(6,588,092)
Amortization of property, plant and equipment	(3,497,186)	(1,408,461)
Reclamation and closure costs	(3,532)	(13,622)
	(3,406,472)	(667,609)
Loss before non-controlling interest and discontinued operations	(14,194,262)	(2,586,911)
Loss for the year	(13,633,652)	(3,160,742)
Basic and diluted loss per share before discontinued operations	(1.38)	(0.39)
Basic and diluted loss per share	(1.32)	(0.48)

Gold Sales

The Company's primary source of revenue is from the sale of its gold production. The Company's attributable gold sales were 39,095 ounces in 2003, which reflects 50% of Desminic and Hemco sales for the period from January 1, 2003 to July 25, 2003 and 100% of sales for the period from July 25, 2003 to December 31, 2003. In the period from February 28, 2002 (the date of RNC's acquisition of its 50% interests in Desminic and Hemco) to December 31, 2002, gold sales totaled 23,568 ounces.

Gold sales in 2003 of $14,815,367 were 102% higher than gold sales in 2002 of $7,342,566 due to the impact of the acquisition of an additional 50% of Desminic and 30% of Hemco, and to higher realized gold prices at Hemco. Adjusted gold sales net of the realized loss on option contracts entered into with the Company's senior lender in April 2003 was $13,918,467 in 2003. The realized loss on option contracts of $896,900 represents the difference between the average monthly spot gold price and the actual price realized by Desminic of $340 per ounce on gold ounces delivered under the option contracts. This realized loss is classified as 'Non-hedge derivative loss' on the consolidated statements of operations and retained earnings (deficit).

The net realized gold price was $356.02 per ounce on average in 2003, compared to $311.05 per ounce on average in 2002. The Company's net realized gold price in 2003 was negatively impacted by the option contracts entered into by the Company with its senior lender in April of 2003 which required that all Desminic production be sold to our senior lender at a price of $340 per ounce.

Mine	2003 Gold Sales (ounces)	2003 Realized Gold Price (Net) $	2002 Gold Sales (ounces)	2002 Realized Gold Price (Net) $
Desminic*	19,556	339.97	13,917	310.56
Hemco**	19,539	372.08	9,651	312.99
Total/average	39,095	356.02	23,568	311.55

*This represents the Company's 50% share from February 28, 2002 to July 25, 2003, and 100% interest thereafter.
**This represents the Company's 50% share from February 28, 2002 to July 25, 2003 and 100% thereafter. It excludes the effect of the 20% non-controlling interest for the period from July 25, 2003 to December 31, 2003.

Results of operations

Total cash costs of production in 2003 of $14,721,121 were 123% higher than total cash costs of $6,588,092 in 2002 due primarily to a maintenance shutdown at the La Libertad mine from September 2002 to March 2003. During the first quarter of 2003, waste removal at the La Libertad mine continued. In addition, working capital shortfalls experienced at the mine during the period from June to October 2003 resulted in restricted production. During this period however, an extensive rebuild and maintenance program took place and a new tertiary crusher was installed in June of 2003.

Total production costs of $18,221,839 in 2003 were 130% higher than $8,010,175 in 2002. The higher total production costs are due primarily to higher amortization charges due to the increased asset base of the property, plant and equipment acquired as part of the July 25, 2003 asset purchase.

Total cash costs and total production costs are calculated in accordance with the Gold Institute Standard.

Total cash costs of production per ounce of $376.55 on average in 2003 were 35% higher than total cash costs per ounce of $279.54 on average in 2002. Total costs of production per ounce of $466.09 on average in 2003 were 37% higher than total costs of production per ounce of $339.88 on average in 2002. Total cash costs and total production costs per ounce varied significantly year over year due primarily to periods of reduced production activity at the La Libertad mine in both 2003 and 2002.

Mine	2003 Gold ounces	2003 Total cash cost per Ounce $	2003 Total production cost per Ounce $	2002 Gold ounces	2002 Total cash cost per Ounce $	2002 Total production cost per Ounce $
Desminic*	19,806	$427.03	595.08	13,452	350.25	447.92
Hemco**	19,539	$326.03	336.99	9,651	248.63	255.13
Total/average cost	39,345	$376.55	466.09	23,103	279.54	339.88

*This represents the Company's 50% share from February 28, 2002 to July 25, 2003, and 100% interest thereafter.
**This represents the Company's 50% share from February 28, 2002 to July 25, 2003 and 100% thereafter. It excludes the effect of the 20% non-controlling interest for the period from July 25, 2003 to December 31, 2003.

Net income and cash flow

For 2003, the loss of $13,633,652 was significantly higher than the loss incurred in 2002 of $3,160,742, reflecting the following:

- The acquisition of an additional 50% of Desminic and 30% of Hemco on July 25, 2003.
- Operating costs incurred during periods of restricted production at La Libertad.
- Increased amortization charges due to higher property, plant and equipment balances resulting from the July 25, 2003 purchase price allocation.
- Increased non-hedge derivative loss related to the Company's price protection program.
- Professional fees incurred as a result of the two private placement financings that took place in 2003.
- Costs incurred in setting up the corporate head office in Toronto.

Amortization

During 2003, amortization charges of $3,497,186 were incurred as compared to $1,408,461 in 2002. A significant portion of the increase in 2003 is related to higher property, plant and equipment balances resulting from the excess of fair value of assets over the fair value of liabilities that were allocated as a result of the July 25, 2003 purchase.

Reclamation and closure costs

Reclamation and closure costs for the year ended December 31, 2003 were $3,532 as compared to $13,622 in 2002.

Interest expense

Interest expense for the year 2003 was $1,877,007 compared to $735,677 for the year 2002, reflecting amounts paid to Desminic's senior lender during the year 2003 under various financing arrangements, interest paid to Nicaraguan banks and amounts paid to Caterpillar financing related to equipment loans. In addition, during 2003 the Company accrued an additional $700,000 of interest expense associated with a liability payable by Hemco to a Nicaraguan government agency, CORNAP.

Other income (costs)

Other costs incurred during 2003 of $3,328,038 are composed of the following:

	2003 $	2002 $
Legal expenses	1,025,855	–
Stock based compensation expense	675,530	–
Audit, tax and accounting	281,373	–
Consulting, broker, listing and regulatory costs	625,913	–
Foreign exchange loss (gain)	($74,766)	–
Other corporate costs	127,614	–
Other site non-operating costs	666,519	(279,446)
Total	3,328,038	(279,446)

Significant costs were incurred during 2003 at the corporate head office as a result of becoming a publicly listed corporation, conducting two private placement financings, completing the reverse take-over of Tango, and establishing the corporate head office in Toronto.

Non-hedge derivative loss

As a condition of the Prepayment Agreement with its senior lender, Desminic entered into a price protection program for 5,000 ounces per month for the period April 2003 to February 2005. The program includes "put" contracts priced at $290.00 per ounce and "call" contracts at $340.00 per ounce. Any shortfall in monthly production is converted into forward contracts priced at $340.00 per ounce.

The unrealized loss on option contracts was valued using the December 31, 2003 spot price for gold of $415 per ounce on the 92,040 ounces outstanding. The related liability for the unrealized loss on the option contracts was $7,228,718 during 2003, compared to $2,926,142 during 2002. The related non-hedge derivative loss for 2003 was $5,582,745, and consists of the following:

	$
RNC's 50% interest in the change in the unrealized loss on option contracts for the period January 1, 2003 to July 25, 2003	(383,268)
RNC's 100% interest in the change in the unrealized loss on option contracts for the period July 25, 2003 to December 31, 2003	5,069,113
Realized loss on option contracts (difference between the December 31, 2003 spot price of $415/ounce and the $340/ounce price protection program price on delivered ounces)	896,900
	5,582,745

Income (loss) from discontinued operations

As part of the RNC reorganization that occurred on July 25, 2003, certain assets of the Company were transferred to RNC Management and RNC Honduras. The income attributable to these operations for the period January 1, 2003 to July 25, 2003 was $683,415 as compared to a loss of $573,831 in the year ended December 31, 2002. RNC Management and RNC Honduras remain related parties of the Company.

Non-controlling interest

The non-controlling interest reflects 20% of Hemco mine site earnings for the period from the date of the acquisition of the additional 30% on July 25, 2003 to December 31, 2003. During the first quarter of 2004, RNC signed a letter of intent to acquire the remaining 20% of Hemco for share consideration.

Cash flows

Negative cash flows from operating activities of $5,010,494 in 2003 compared to positive cash flows from operating activities of $344,844 in 2002. The negative cash flows experienced in 2003 were the result of an increased loss in the year combined with increased payments made on existing debts to suppliers and lenders. During the year, the Company invested $1,786,864 in capital expenditures primarily related to the La Libertad mine. Cash flows from financing activities include the net cash proceeds of the two private placement financings that occurred in the year.

Desarrollo Minero de Nicaragua, S.A.

Desminic operates the La Libertad open pit heap leach gold mine located in central Nicaragua. The Company owns 17,650 hectares of exploitation and exploration concessions close to the town of La Libertad, Nicaragua.

Resources, a private company, acquired 50% of Desminic in February 2002. On July 25, 2003 RNC acquired Resources and an additional 40% of Desminic. On September 17, 2003 RNC acquired the remaining 10% of Desminic. At December 31, 2003, RNC controlled 100% of Desminic and the La Libertad mine and concessions.

At the end of September 2002, Desminic suspended operations and commenced a rebuild program on its mobile equipment, installation of a tertiary crusher and the refurbishing of the crushing circuit and buildings. Mining recommenced at the end of December 2002 with crushing recommencing in January 2003 and leaching restarting in February 2003. The first gold pour was in March 2003. Production during the second and third quarters of 2003 was restricted due to lack of working capital. Ramp-up commenced in earnest following the September 2003 RNC financing and December 2003 gold sales were 5,111 ounces of gold, or 22% of total annual gold sales of 23,937 in the year ended December 31, 2003.

During 2003, Desminic crushed 1,015,499 tonnes of ore at an average grade of 1.41 grams of gold per tonne and removed 2,249,421 tonnes of waste. The average strip ratio was 2.22 tonnes of waste per tonne of ore. Desminic operates on and off leach pads and the Company removed 822,372 tonnes of spent ore from the leach pads.

Desminic sold 23,937 ounces of gold during 2003 at an average net realized price of $340 per ounce resulting in revenues of $8,133,375. Total cash costs, including the mine holding cost during the maintenance shut down, were $10,961,777 or $458 per ounce.

During 2002, Desminic crushed 937,055 tonnes of ore at an average grade of 1.72 grams of gold per tonne and removed 2,078,251 tonnes of waste. Additionally, 1,008,726 tonnes of spent ore were removed from the on-off leach pads.

Desminic sold 34,357 ounces of gold during 2002 at an average price of $307 per ounce resulting in revenues of $10,532,784. Total cash costs for 2002 averaged $342 per ounce.

To finance the maintenance rebuild program Desminic arranged a $3.5 million project loan. Interest is calculated at 10% per year with re-payments having commenced in April 2003. As a condition of the loan, Desminic entered into the price protection program described under "Non-hedge derivative loss".

To reduce the mid-year working capital short-fall the Company entered into a $1,500,000 bridge loan in June 2003. This loan was repaid from the proceeds of the July financing.

Hemco de Nicaragua, S.A.

Hemco operates the Bonanza mine in northern Nicaragua. The Company owns approximately 205,000 hectares of exploitation and exploration concessions in the Bonanza, Rosita and Siuna areas.

During 2003, Hemco sold 27,090 ounces and in 2002 sold 23,306 ounces of gold at an average selling price of $366 and $311 per ounce respectively. This resulted in revenues of $9,917,141 in 2003 and $7,246,522 in 2002. Mill feed was 143,453 tonnes (2002 – 120,376 tonnes) at an average grade of 5.97 grams per tonne (2002 – 6.09 grams per tonne). The mill feed was principally from underground operations but was supplemented by open pit mining and purchases of ore from the local "small miners". Total cash costs per ounce averaged $314 for 2003 as compared to $362 in 2002.

LIQUIDITY & CAPITAL RESOURCES

Cash to meet the Company's operating needs, to repay certain creditors and to finance the July 25, 2003 and September 26, 2003 asset acquisitions, was provided primarily from the proceeds of two private placement offerings which were conducted during the year resulting in net cash proceeds of $7,443,656.

During the year ended December 31, 2003, the Company experienced negative operating cash flows and operating earnings. At year end, a working capital deficiency of $14,627,431 exists. The maintenance re-build program during the first quarter of 2003 followed by a lack of working capital until October resulted in restricted production at La Libertad. This lower production magnified working capital issues until the September 2003 private placement was completed.

Management believes that cash flows from operations, combined with funds raised through capital markets, will be sufficient to remedy the working capital deficiency that exists at December 31, 2003. It is expected that several liabilities existing on the balance sheet at year end will be settled with non-cash instruments. Specifically, the current portion of the unrealized loss on option contracts which contributes $6,387,940 to the working capital deficiency will be settled primarily through the delivery of La Libertad gold production into the price protection program. In addition, on January 7, 2004, the Company reduced its obligation of $2,750,000 to the counterparty of the July 25, 2003 transaction by approximately $980,000 through the counterparty's sale of shares for proceeds higher than a specified net price of CAN$2.00 per share.

Subsequent to year end, the Company completed a financing for gross proceeds of CAN$20,240,000. The net proceeds of the financing will be used to improve the Company's working capital position, repay debt and fund exploration at the La Libertad and Bonanza mines, and for general corporate purposes.

At December 31, 2003, cash and cash equivalents totaled $504,279, an increase of $388,684 over the balance at December 31, 2002. Other current assets totalled $4,468,031, as compared to $2,453,099 in the prior year. The increase

in current assets reflects the acquisition of an additional 50% of Desminic and 30% of Hemco, combined with higher trade and government tax related receivables at each of the Company's mines.

Property, plant and equipment balances increased significantly in 2003 to $20,901,111 as compared to the 2002 balance of $7,244,985. The Company invested $1,786,864 during 2003, with the remainder of the increase made up of amounts allocated on the acquisition of the additional interests in Desminic and Hemco.

The Company's investment in mineral properties balance at December 31, 2003 of $3,459,013 is composed of $1,400,000 allocated to the Hemco concessions, $1,762,458 allocated to the Picachos property in Mexico and $296,555 of expenditures incurred in relation to the Cerro Quema mine development project in Panama. The increase over RNC's 50% balance of $775,671 at December 31, 2002 is due primarily to the Tango property (Picachos), which was acquired as a result of the reverse take-over of Tango.

Indebtedness of RNC Gold

Pursuant to a prepayment agreement (the "Prepayment Agreement") dated December 6, 2002 between Desminic and a senior lender, Desminic was advanced $3,500,000 (the "Advance"). In connection with the Prepayment Agreement, Desminic and the senior lender entered into a sales contract pursuant to which Desminic is required to sell all production from the La Libertad mine to the senior lender. The Advance bears interest at 10% per annum and is repayable in equal bimonthly payments, the final such bimonthly prepayment being due and payable on February 25, 2005. The Advance is secured by a charge on the assets of Desminic, a pledge by the shareholders of Desminic of their shares in Desminic and a guarantee by Resources, a subsidiary of RNC.

Pursuant to an amending agreement dated June 2, 2003 ("Amendment No. 1"), the senior lender advanced a further $1,500,000 (the "Bridge Advance") to Desminic. This Bridge Advance has subsequently been repaid in full from the proceeds of the July 25, 2003 financing. Interest on the Bridge Advance was 10% per annum; fees were $125,000 plus the undertaking to issue 310,000 RNC Warrants. In connection with Amendment No 1, Resources entered into an amended and restated guarantee and RNC entered into a guarantee.

Desminic and the senior lender entered into a forbearance agreement dated September 12, 2003 (the "Forbearance Agreement") pursuant to which the senior lender agreed to forbear with respect to the non-payment of the installment of the advance due and payable on August 27, 2003 in the amount of $85,365.85 and to defer four bi-weekly scheduled principal payments totaling $341,463.40. The aggregate outstanding loan amount as of August 27, 2003 was $3,021,649. The Forbearance Agreement was satisfied and terminated on September 26, 2003. The total amount of this debt outstanding at December 31, 2003 is $2,253,356, of which $1,911,893 is scheduled to be repaid in 2004.

As a result of the privatization of the Hemco concessions in 1992, Hemco assumed an interest bearing liability of $9,000,000 to Corporaciones Nacionales del Sector Publico ("CORNAP"), a Nicaraguan government body. Based on the terms of the agreement with CORNAP, interest at a rate of 1.5% per month is payable on any outstanding amounts. While this debt is not by its terms forgivable, Hemco and the predecessor owners of Hemco have negotiated the forgiveness of the payments since 1997 as a result of infrastructure improvements made within the Hemco concessions and will attempt to have future payments forgiven on a similar basis. As at December 31, 2003, the total outstanding balance was $3,058,450. At December 31, 2002, RNC accounted for its 50% interest in Hemco using proportionate consolidation accounting. RNC's portion of this liability at December 31, 2002 was $1,573,500. This debt has been classified as long term. The Company has accrued interest of $1,700,000 with respect to this debt at December 31, 2003. RNC's portion of this interest liability at December 31, 2002 was $500,000. The interest payable has been classified in current liabilities. Management believes that the CORNAP debt and related interest payable will be settled for less than the current carrying amount, however, the ultimate settlement value is currently not determinable.

Desminic and Hemco had various working capital loans with local Nicaraguan banks that totaled $584,285 (RNC's 50% portion as at December 31, 2002 – $317,521). The interest rates vary between 16% and 19% per year. The total amount of these loans is due within the next 12 months.

Desminic has various pieces of mobile mine equipment financed through Caterpillar Financial Inc. The loans are secured against the specific equipment to which the loans relate. Interest is calculated at LIBOR plus 4% per annum. Repayment of $1,291,106 of this debt is scheduled for fiscal 2004.

A summary of the Company's indebtedness as at December 31, 2003 is as follows:

	Current	Long term
CORNAP	–	3,058,450
Senior Lender	1,911,893	341,463
Nicaraguan Bank	584,285	–
Equipment debt	1,291,106	403,545
Total	3,787,284	3,803,458

The payment schedule related to the above liabilities is as follows:

2004 –	3,787,284
2005 –	745,008
2006 –	–
2007 –	–
2008 –	–
Thereafter	3,058,450
Total	7,590,742

Management anticipates settling a significant portion of the above liabilities from the proceeds of the financing conducted in the second quarter of 2004.

Amounts due to related parties

During May 2002, the shareholders of Desminic acquired through the Federal Depository Insurance Corporation's liquidation of Hamilton Bank N.A., the Hamilton Bank N.A. loan to Desminic. The outstanding balance of the loan at the time of acquisition was $10,934,140. The entire loan was acquired by the then Desminic shareholders on a pro rata basis for $2,484,767. As part of the Resources reorganization, RNC acquired 50% of this debt. In addition, as part of the July 25, 2003 transaction, RNC acquired an additional 40% of this debt from Auric. Of the total cash paid to acquire the Desminic shareholder debt, $900,000 was contributed by RNC Management. As at December 31, 2003 the principal amount owed to related parties on this debt is $1,993,414, consisting of $900,000 owed to RNC Management, and 10% of the face value of the debt or $1,093,414 owed to Leslie Coe, the previous 10% shareholder of Desminic. Interest on the outstanding amounts is calculated at 12% per annum. At December 31, 2003, $391,003 of interest was owed by RNC to these related parties.

As of December 31, 2003, Desminic owed RNC Management $1,398,618 related to unpaid mine management services. Mine management services are provided to Desminic at cost plus a 5% administrative charge, and outstanding unpaid amounts are subject to interest at 12% per annum. In addition, Hemco owes RNC Management $400,000 related to costs incurred on acquisition of 50% of the Hemco mine in February of 2002.

In the fourth quarter of 2003, Desminic purchased from Minerales mobile mining equipment with a fair market value of $842,239. Desminic paid $400,000 for this equipment and entered into a note payable for $442,239. This note carries interest at 12% per annum. During 2002, Desminic owed Minerales $354,342 (RNC's 50% portion $177,171) related to parts and supplies purchased from Minerales. This parts and supplies liability was extinguished with the proceeds from the July 25, 2003 financing.

A summary of the amounts due to related parties is as follows:

	December 31, 2003	December 31, 2002
Desminic shareholder debt	2,384,417	2,656,247
RNC (Management)	1,798,618	-
Minerales de Occidente	528,015	177,171
Total	4,711,050	2,833,418

Capital Structure and outstanding share data

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2003, the Company had 17,106,397 outstanding common shares and 9,380,623 outstanding share purchase warrants. During the year ended December 31, 2003, a total of 1,497,000 stock options were granted to eligible employees, directors, officers and consultants of the Company. In relation to the grant of stock options, $675,530 was charged to earnings in the current period as stock based compensation expense.

CRITICAL ACCOUNTING POLICIES

The Company has identified four accounting policies that are important to understanding its current and future performance. These critical accounting policies relate to revenue recognition, property, plant and equipment, reclamation and closure costs and exploration and development costs. See note 3 of the consolidated financial statements for details of the Company's other significant accounting policies.

Revenue recognition

Revenue is recognized when title and the risk of ownership have passed and collectibility is reasonably assured. Revenue is measured at the estimated settlement, however, final settlement of estimated metal prices, weights and assays may result in adjustments. These adjustments are recorded in the period of final settlement. Historically, these adjustments have not been material to the Company.

Property, plant and equipment

Property, plant and equipment are carried at cost, including acquisition costs and exploration and development costs incurred subsequent to an economic feasibility study, less accumulated amortization and write-downs to recognize impairment in value. Amortization of plant and equipment is calculated using the straight-line method based on the shorter of the estimated useful life and the life of the mine.

Reclamation and closure costs

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements. Environmental regulations are constantly changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Estimated reclamation and closure costs are estimated based on estimates of total costs, net of recoveries, and are accrued on a units-of-production basis. Estimated reclamation and closure costs related to the La Libertad mine are fully accrued at December 31, 2003. The estimated net reclamation costs associated with the Bonanza mine are estimated to be $nil.

Exploration and development costs

Exploration and related costs are expensed in the period incurred. Mineral property acquisition costs and development costs related to specific mineral properties, for which proven and probable mineral reserves have been identified, are deferred until the project is either sold, abandoned or placed into production. Evaluations of the carrying values of each development property are undertaken in each reporting period to determine if the estimated undiscounted future net cash flows are less than the carrying value. Estimated undiscounted future net cash flows are calculated using estimated mineral prices and operating costs, capital costs and reclamation and closure costs. If it is determined that the future net cash flows from an operation or development property are less than the carrying value then a write-down is recorded with a charge to operations.

RISK FACTORS

Reclamation and environmental

The Company is required to mitigate any long-term environmental impacts by stabilizing and re-vegetating various portions of a site once mining and processing activities are complete. Reclamation activities are conducted in correspondence with the relevant government and regulatory authorities. Where possible, reclamation is conducted concurrently with mining operations.

Standard leaching techniques have been designed to comply with environmental requirements imposed by regulatory authorities. Due to the qualities of the heap leach pad and the closed nature of the leaching system, the Company believes that its mining operations are in material compliance with all applicable health, safety and environmental regulations.

Though RNC believes that its mining operations are in material compliance with all applicable health, safety and environmental regulations, there is inherent uncertainty associated with such due to the complexity and application of such rules and regulations. The Company does not anticipate that the cost of compliance with existing environmental laws and regulations will have a material impact on its earnings in the foreseeable future. However, possible future health, safety and environmental legislation, regulations and actions could cause additional expenses, capital expenditures and restrictions and delays in the activities of the Company, the extent of which cannot be predicted.

At the corporate level, the Environmental, Health and Safety Committee is composed of members of the Board of Directors who are charged with the responsibility for monitoring and ensuring the Company's compliance with existing rules and regulations.

General

RNC's mineral development and mining activities and profitability are subject to significant risks due to numerous factors outside of the Company's control including, but not limited to, changes in the price of gold, changes in the regulatory environment, foreign currency fluctuation, and other risks inherent to the mining industry. Refer to the Company's Annual Information Form for additional discussion of risk factors.

Acquisition of title to mineral properties in all jurisdictions where the Company operates is a detailed and time consuming process. Although the Company has investigated title to all of its mineral properties, the Company cannot give any assurance that title to its properties will not be challenged. In addition, no assurances can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining authorizations of the Company.

In the course of its business, RNC may issue equity securities to meet its growth plans and objectives if the Company determines that such financing is available under favorable financial terms. No assurance can be given that additional funding will be available or, if available, will be on terms acceptable to the Company.

RNC prepares estimates of future gold production for its various operations. The Company's production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, assumptions pertaining to ground conditions and physical characteristics of ores, such are hardness and the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining and processing. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of the Company's future cash flows, profitability, results of operations and financial condition.

The Company's published figures for both mineral reserves and mineral resources are only estimates. The estimating of mineral reserves and resources is a subjective process which depends in part on the quality of available data and the assumptions used and judgments made in interpreting such data. There is significant uncertainty in any reserve or resource estimate such that the actual deposits encountered and the economic viability of mining the deposits may differ materially from the Company's estimates.

Gold exploration is speculative in nature. Success in exploration is dependent on a number of factors, including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. Due to these and other factors, no assurance can be given that the Company's exploration programs will result in the discovery of new mineral reserves and resources.

RNC conducts mining, development and exploration activities in countries outside of Canada. The Company's foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries, which include, among others, invalidation of government orders or permits, corruption, uncertain political and economic environments, terrorist actions, arbitrary changes in laws or policies, the opposition of mining from environmental or other non-governmental organization and limitations on foreign ownership or the export of gold. These risks may limit or disrupt

the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation, any or all of which could have a material or adverse impact on the Company's profitability or the viability of its foreign operations.

OUTLOOK

Production

Production from the La Libertad mine is expected to increase significantly in 2004. Ramp up commenced in the fourth quarter of 2003, and the Company expects production of 70,000 ounces in 2004 at an average total cash cost per ounce of approximately $225 per ounce. At the Bonanza mine, the commissioning of the new crushing circuit will facilitate the increase in annual production to 31,000 ounces in 2004 at an average total cash cost of approximately $265 per ounce. Consolidated gold production in 2004 is expected to approximate 100,000 ounces.

Growth

RNC acquired an additional 50% of the Cerro Quema project in the first quarter of 2004 to increase its ownership to 60%. The Company anticipates commencing construction at Cerro Quema at the end of 2004 with production commencing in the fourth quarter of 2005, which will increase RNC's interest in the project to 100% with no additional transaction costs. Cerro Quema is expected to produce 48,000 ounces of gold per year at an average total cash cost of $192 per ounce.

The Company holds an option to acquire 25% of Minerales, the company that owns the San Andres mine in Honduras, and a right of first refusal on the remaining 75% of Minerales. The production capacity of the San Andres mine is approximately 75,000 ounces at an average total cash cost of $225 per ounce.

Exploration

At December 31, 2003, RNC had 896,122 ounces of proven and probable reserves. The Company has budgeted $1 million for the 2004 exploration programs.

Hemco controls in excess of 200,000 hectares of land. RNC has identified numerous exploration targets on this property, including three bulk mineable targets which are in close proximity to the current mine. The 2004 exploration program will focus on these targets, as well as underground exploration efforts to maintain or expand the underground reserves.

The exploration program at Desminic, which controls 17,650 hectares of land, will focus on maintaining reserves around the existing mining operations. Additionally, exploration will commence on the Santo Domingo concessions which were acquired in the second quarter of 2004.

At Cerro Quema, a feasibility study will be undertaken in 2004 on a second open pit area, with the objective of expanding the reserves and expected mine life.

As part of the reverse take-over of Tango, RNC acquired 50% of the Picachos gold and silver exploration property. Picachos is located in the southwest section of the state of Durango, Mexico. In the second quarter of 2004, RNC has signed a letter of intent to acquire an additional 25% of this property and the right to increase its ownership to 100% through exploration expenditures of approximately $1 million. The 2004 exploration program will focus on three previously identified targets.

Financial

During April 2004, the Company completed a private placement of 10,120,000 units at a price of CAN$2.00 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of CAN$2.50 for a period of 24 months following the closing.

The net proceeds of CAN$18,778,000 will be used to repay debts, fund exploration, acquire properties and for general corporate purposes. In connection with this financing, approximately CAN$1,977,913 and an additional 1,584,323 units were placed in escrow to satisfy existing related party debt obligations. Immediately following the close of the transaction, the Company had approximately 30.6 million shares outstanding and 47.9 million shares outstanding on a diluted basis.

management's responsiblity for financial reporting

The consolidated financial statements and other financial information for this annual report were prepared by the management of RNC Gold Inc., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the consolidated financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with Canadian generally accepted accounting principles. Management has included amounts in the Company's consolidated financial statements based on estimates, judgements, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

PricewaterhouseCoopers LLP were appointed as the Company's auditors at the Annual General Meeting of Shareholders. Their report outlines the scope of their examination and their opinion.

J. Randall Martin
President and Chief Executive Officer

Thomas W. Lough
Chief Financial Officer and Vice President Finance

Toronto, Ontario
April 28, 2004

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To the Shareholders of RNC Gold Inc.

We have audited the consolidated balance sheets of RNC Gold Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Ontario
April 28, 2004

consolidated balance sheets

as at December 31, 2003 and 2002
(expressed in U.S. dollars, unless otherwise stated)

	2003 $	2002 $
Assets		
Current assets		
Cash and cash equivalents	504,279	115,595
Accounts receivable *(note 6)*	1,650,583	434,125
Inventory *(note 7)*	2,817,448	1,623,414
Current assets of discontinued operations *(note 4)*		395,560
	4,972,310	2,568,694
Property, plant and equipment *(note 8)*	20,901,111	7,244,985
Mineral properties *(note 9)*	3,459,013	775,671
Other assets of discontinued operations *(note 4)*	–	2,950,656
	29,332,434	13,540,006
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(note 10)*	4,967,485	2,386,866
Interest payable	1,707,032	1,085,582
Purchase price payable *(note 5(a))*	2,750,000	–
Current portion of long-term debt *(note 11)*	3,787,284	1,232,244
Current portion of unrealized loss on option contracts *(note 16)*	6,387,940	503,769
Current liabilities of discontinued operations *(note 4)*		667,272
	19,599,741	5,875,733
Long-term liabilities		
Long-term debt *(note 11)*	3,803,458	3,164,471
Due to related parties *(note 12)*	4,711,050	2,833,418
Reclamation and closure costs	975,656	184,376
Unrealized loss on option contracts *(note 16)*	840,778	959,302
Other liabilities of discontinued operations *(note 4)*		3,052,977
	10,330,942	10,194,544
Non-controlling interest *(note 13)*	122,805	–
Shareholders' deficiency		
Capital stock *(note 15)*	9,701,966	10,000
Deficit	(10,423,020)	(2,540,271)
	(721,054)	(2,530,271)
	29,332,434	13,540,006

The accompanying notes form an integral part of these consolidated financial statements.

J. Randall Martin
President and Chief Executive Officer

Wayne G. Beach
Chairman of the Board